

Cited as "1 ERA Para. 70,520"

Great Lakes Gas Transmission Company (ERA Docket No. 80-16-NG), October 20, 1980.

Order Granting Amendment to Authorizations To Import Natural Gas From Canada and Granting Intervention

[Opinion and Order]

I. Background

On June 23, 1980, Great Lakes Gas Transmission Company (Great Lakes) applied to the Economic Regulatory Administration (ERA) of the Department of Energy (DOE), pursuant to Section 3 of the Natural Gas Act, for extension of import authorizations granted in an ERA order issued to Great Lakes on July 11, 1979 in ERA Docket No. 78-011-NG.

Specifically, Great Lakes requests the ERA to extend until October 31, 1981, its authorizations to import up to 18 Bcf of natural gas previously authorized to be imported through October 31, 1980, and to import "company use" volumes (fuel and gas lost and unaccounted for volumes) required to transport natural gas for the account of Midwestern Gas Transmission Company (Midwestern). Midwestern's application in ERA Docket No. 80-17-NG to extend its current import authorization for one year until October 31, 1981, was approved by ERA on October 16, 1980.^{1/}

ERA's order of July 11, 1979 in Docket No. 78-011-NG approved an application by Great Lakes to amend authorizations issued by the Federal Power Commission (Commission) in Docket Nos. CP66-112, CP70-20, and CP71-223, involving, respectively, Gas Purchase Contract Nos. 1, 2, and 3 ("contracts") between Great Lakes and its Canadian supplier, TransCanada Pipelines Limited (TransCanada).^{2/} In conjunction with the contracts, the Canadian National Energy Board (NEB) issued export licenses authorizing TransCanada to export, sell, and deliver the gas to Great Lakes. In addition to specifying total export volumes over the term of the licenses, the NEB licenses also imposed daily and annual volumetric restrictions. The corresponding import authorizations issued by the Commission imposed daily volumetric limitations as well.

In its application to ERA in Docket No. 78-011-NG, Great Lakes stated that, because of the daily and annual volume restrictions, it had not been able to import 100 percent of its daily contract entitlement on each day

during the initial term of its contract and therefore had to forego importation of significant quantities of gas which could not be made up due to the annual and daily volume restrictions. Therefore, on November 17, 1978, Great Lakes and TransCanada executed an Amending Agreement to the contracts which permitted the make up, through October 31, 1980, of the approximate volumes of gas, up to a maximum of 18 Bcf, authorized for export to Great Lakes, but which Great Lakes had been unable to take or to make up. The Amending Agreement also provided for the import of such additional company use volumes as might be necessary to accommodate the transportation of Canadian natural gas for the account of Midwestern, which had also requested ERA authorization to import volumes of additional gas which it was entitled to purchase.^{3/}

In its present application, Great Lakes seeks a one-year extension of ERA's authorization in Docket Lo. 78-011-NG, because it has been able to import only a portion of the 18 Bcf of additional gas authorized for import and will not be able to import the remainder before the current authorization expires on October 31, 1980. Similarly, because Midwestern has been able to import only a portion of the additional gas authorized for import in ERA Docket No. 79-04-NG, and has been granted a one-year extension of its authorization to import such gas, Great Lakes further requests ERA to grant a one-year extension of its authorization to import the company use volumes required to transport the Midwestern gas.^{4/}

Great Lakes reports that since issuance of ERA's order of July 11, 1979, it has imported approximately 5.4 Bcf of the 18 Bcf authorized. Great Lakes asserts that there is no likelihood that the remaining 12.6 Bcf can be imported by October 31, 1980. However, Great Lakes states that there may be a substantial need for these volumes during the 1980-1981 winter season and the period thereafter. The import volumes would be priced at the current Canadian border price of U.S. \$4.47 per MMBtu (U.S. \$4.17 per GJ).

Great Lakes also points out that the additional gas which is the subject of this application is an interruptible supply not subject to take-or-pay or minimum bill obligations. ^{5/} Since the natural gas would be provided on an "as available" basis and taken on an "as needed" basis, Great Lakes has asserted that the availability of such gas would provide flexibility in meeting its needs during the forthcoming winter heating season.

II. Comments

ERA published a notice of receipt of Great Lakes application (45 FR 49324, July 24, 1980) with an invitation to submit any protests or petitions

to intervene by August 25, 1980. On August 20, 1980, Natural Gas Pipeline Company of America (Natural) filed a petition to intervene in support of Great Lakes' application. ERA has not received any requests for a hearing or any other comments, and in the absence of any objections grants the petition of Natural to intervene in this proceeding.

III. Decision

We agree with Great Lakes that an extension of our earlier authorization for an additional year is in the public interest. The volumes for which authorization is requested will be imported, if available, on an interruptible basis and thus only to the extent that there is a need for such gas in U.S. markets. Additionally, the absence of any take-or-pay or minimum bill obligations in connection with these volumes, as well as the short-term nature of the requested authorization, distinguishes this gas supply from those base load imports which are the subject of ongoing proceedings before ERA in Docket Nos. 80-01-NG, et al. Accordingly, a decision on this application need not be deferred until a final order has been issued in those proceedings.

In Opinion and Order No. 14B, 6/ we established that the present border price of \$4.47 per MMBtu, requested in this application, is a reasonable price, compared to the cost of alternate fuels in U.S. markets. Accordingly, we believe that the one-year extension of our previous authorization at a unit price of \$4.47, as requested by Great Lakes, is not inconsistent with the public interest within the meaning of Section 3 of the Natural Gas Act, and should be granted.

Order

For the reasons set forth above, ERA hereby orders that:

A. Pursuant to Section 3 of the Natural Gas Act, the import authorizations previously granted to Great Lakes Gas Transmission Company (Great Lakes) by ERA order of July 11, 1979, in Docket No. 78-011-NG, are hereby amended to permit Great Lakes to continue to import until October 31, 1981 (1) the remaining portion of the 18 Bcf of natural gas previously authorized to be imported, and (2) such company use volumes as are necessary to provide transportation service for the account of Midwestern Gas Transmission Company (Midwestern), all as set forth in Great Lakes' application, at a price not to exceed U.S. \$4.47 per MMBtu (U.S. \$4.17 per GJ). The authorization for company use volumes is effective only for those volumes of natural gas which Midwestern has been authorized to import pursuant to DOE/ERA Opinion and Order No. 20, issued on October 16, 1980 in ERA Docket

No. 80-17-NG.

B. The petition for leave to intervene filed by Natural Gas Pipeline Company of America is hereby granted, subject to such rules of practice and procedure as may be in effect, provided that the participation of such intervenor shall be limited to matters affecting asserted rights and interests specifically set forth in its petition for leave to intervene and that the admission of such intervenor shall not be construed as recognition by ERA that it might be aggrieved because of any order issued by ERA in this proceeding.

Issued in Washington, D. C. on October 20, 1980.

--Footnotes--

1/ DOE/ERA Opinion and Order No. 20, Opinion and Order Amending Authorization to Import Natural Gas from Canada.

2/ The contracts were dated, respectively, July 14, 1967, October 9, 1970, and June 11, 1971. The Commission orders were issued, respectively, June 20, 1967 (37 FPC 1070), April 30, 1970 (43 FPC 635), and June 1, 1971 (45 FPC 1037).

3/ Midwestern's application was approved by ERA in an order issued on August 9, 1979, in Docket No. 79-04-NG. Great Lakes stated, in its application in ERA Docket No. 78-011-NG, that its authorization from the Commission for such company use volumes in Docket No. CP71-223 appeared to provide for the importation of up to 17 Bcf annually, more than enough to meet Great Lakes' existing company use requirements plus those for the Midwestern transportation service. "However, since the underlying contract must be amended, Great Lakes here seeks corresponding import authorization to the extent any further authorization is required". (Application, December 5, 1978, p.5).

4/ Amendatory Agreements dated June 17, 1980, between Great Lakes and TransCanada provide for a one-year extension of their earlier agreements approved by ERA in Docket No. 78-011-NG.

5/ ERA is evaluating such provisions in the gas purchase contracts of all current importers of Canadian natural gas in ERA Docket Nos. 80-01-NG, et al., in which consolidated proceeding Great Lakes is a party.

6/ Issued on May 15, 1980 in ERA Docket Nos. 80-01-NG, et al.